Foreign investment in State projects

650. SHRI RAJKUMAR DHOOT: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that the State Governments have been allowed to seek foreign investments for their development projects;

(b) if so, details of the projects being implemented with foreign investment;

(c) whether the terms and conditions of foreign investments were approved by Central Government;

(d) if so, the details thereof; and

(e) whether the State Governments could not finance these projects from their internal resources, the reasons thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) Under the provisions of the Constitution, the executive powers of a State extend to borrowing only within the territory of India. Also, under the VII Schedule of the Constitution, 'Foreign Loans' come under the Union list. Thus, State Governments cannot seek and receive financial assistance from foreign countries/institutions directly. However, Government of India enters into negotiations with external agencies to get assistance for State Projects.

(b) As on 31.10.2002, a total of 234 projects are under implementation with foreign assistance in State sector. During the current financial year (upto 31.10.2002), an amount of Rs. 3362.76 crore has been received from external sources for these projects.

(c) and (d) The external assistance received from various multilateral and bilateral agencies is passed on to the States by the Government of India as Additional Central Assistance (ACA) on the same terms and conditions as Central assistance for State Plans. These terms and conditions are different from the conditions at which the external assistance is received by GoI from external agencies.

(e) The external assistance is received by States to augment their internal and domestic resources. The quantum of external assistance is dependent upon their requirements and preparedness to execute externally aided projects subject to overall allocation by the Planning Commission.